



CGD NOTES

AGOA's Final Frontier: Removing US Farm Trade Barriers

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If the African Growth and Opportunity Act (AGOA) is to remain as a key part of US development policy in Africa, it needs to embrace the sector on which so many of the poor in Africa depend. According to World Bank data, more than 60 percent of Africans live in rural areas, and they are more likely to be poor than their urban counterparts. Yet, while almost all manufactured goods enter duty-free under AGOA and other trade preference programs, US policy (unintentionally) discriminates against agricultural sectors in which Africa could be competitive.

More than a decade after AGOA's implementation, African agricultural exports remain stuck at around 3 percent of total exports to the United States. The continent exported roughly 10 times as much to Europe as it did to the United States in 2012 (table 1), supplying 13 percent of extra-regional imports versus only 2 percent of US agricultural imports. Low productivity and difficulties in meeting sanitary and phytosanitary (SPS) standards contribute to Africa's relatively poor agricultural export performance overall, but lagging exports in the US market suggest that trade barriers also play a role.

Most manufactured African goods enter duty-free, but US policy restricts important agricultural products.

Table 1. African Agricultural Exports (value and share by destination, 2012)

Destination	Value (billion \$)	Share (percent)
World	57	100.0
Europe	20	35.4
Africa	13	23.5
Asia	12	21.7
Middle East	5	8.1
North America (United States)	3 (2)	5.4 (3.5)
South and Central America	2	2.7

Source: World Trade Organization, International Trade Statistics 2013.

Tariff-Rate Quotas Hinder African Trade

The United States restricts imports of key agricultural products, including meat, dairy, peanuts, sugar, tobacco, cotton, and sugar- and dairy-containing items such as chocolate, with tariff-rate quotas (TRQs).^[1] Sub-Saharan African countries produce and export many of these products to other markets, including the European Union. They have little if any access in the US market, however, because TRQ quota allocations are based on historical trade patterns from a time when US-Africa trade was minimal.

The pro-trade and pro-development approach would be to exempt AGOA-eligible countries from these restrictions, though that would require congressional action. Staying within the current system, the Secretary of Agriculture or the US Trade Representative (depending on the product) has authority to allocate quotas among countries, but that authority is constrained by US trade commitments. If US negotiators agreed under the Uruguay Round Agreement to minimum quota allocations for particular countries, they cannot reallocate unilaterally.

Many TRQs do have an “other” category that is available on a first-come, first-served basis, however. Theoretically, African countries could gain access under those provisions, but the amount of access available in any year is highly uncertain, which can make it difficult for new entrants to break into a market. The annex table provides background information on TRQ products where there is unused quota that the Obama administration could reserve for AGOA countries with minimal, if any, objection from current quota-holders. For example, the “other” category under the chocolate TRQ is only about half filled in most years, leaving about 8,000 metric tons that could be reserved for Africa to encourage job creation in downstream processing of cocoa.

Increased US Market Access Could Help African Competitiveness

Increased market access for sugar and tobacco would be the most likely to provide quick impact, but liberalization of those sectors is also the most politically sensitive. Exports to other countries suggest that, given an opportunity in the US market, some African countries might develop exports of certain dairy products (mainly various forms of powdered milk), sugar and dairy-containing confectionary products, and, if SPS issues can be resolved, peanuts and beef. Providing guaranteed access for these products under US TRQs could increase incentives to invest in developing African competitiveness and building capacity to meet US standards.

Taking action to further liberalize market access for African agricultural exports would extend AGOA benefits beyond the handful of oil and apparel exporters that currently capture most of the benefits. It would also help to support and leverage US investments through the Feed the Future and Power Africa initiatives.

Given its importance for the rural poor in Africa, any meaningful effort to improve AGOA must address agricultural market access.

Any meaningful effort to improve AGOA must address market access for agricultural products.

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[1] Importers of products under TRQs pay a low or zero duty on imports up to a certain level and then a higher, usually prohibitive duty, on imports over the quota level.

Annex Table: US Tariff-Rate Quotas on Agricultural Products

Product	Quota fill rates, 2012	Comments
Beef, fresh, chilled, or frozen	54 percent with Australia filling, on average, only about two-thirds of its quota and leaving ~100,000 MT unfilled in 2010-13 The unallocated “other” category is generally filled by EU member states, China, and Uruguay No specific allocation for any African country	Botswana, Namibia, and Swaziland export some beef to the EU, but reallocating the quota would require negotiations with Australia Meeting US SPS requirements, especially due to presence of foot and mouth disease, would be a formidable obstacle
Certain dairy products		
Nonfat dried milk (HTS 040210, 040221)	7 percent (FCFS)	Ghana, Kenya, Malawi, Namibia, Nigeria, and Tanzania are among African countries that export various powdered milk products (mostly within the region); having an AGOA allocation across these categories would provide most flexibility
Evaporated, condensed milk (040291, 040299)	80 percent	
Sweetened, powdered milk (HTS 04022910)	75 percent (for overall category of “dairy mixtures)	
Cheese (0406, various)	Varies by type, but most are not filled; ~600 metric tons is in unallocated “other” category. No specific allocation for any African country in any of these categories	Developing cold chain storage, meeting SPS requirements are also obstacles; again, having an allocation across all cheese categories would provide more flexibility
Chocolate (> 5.5% butter fat, HTS 18062024)	< 50 percent, “other” allocation of 16,000 MT only about half used in recent years (mostly by Canada) No specific allocation for any African country	Allocating some of the “other” category to SSA could encourage downstream processing for West Africa cocoa producers
Peanuts	< 50 percent overall; the unallocated “other” category is 9,905 MT No specific allocation for any African country; allocating additional access to SSA beyond “other” would require negotiations with Argentina	SSA other than S. Africa exported ~5,000-10,000 MTs to EU annually, about the level of the “other” quota With elimination of domestic production quotas, prices and imports dropped sharply and US now exports, so economics a challenge Some African countries export to EU, but aflatoxin contamination still a problem
Tobacco	Just over 50 percent filled; specific	Political sensitivity because of link to

	allocations for Malawi, Zimbabwe	smoking
Sugar	Total always filled and unfilled country allocations reallocated annually Small allocations for SSA: Congo, Cote d'Ivoire, Gabon, Madagascar, unfilled Malawi, Mauritius, Mozambique, Zimbabwe, sporadically filled South Africa, Swaziland, usually filled	Changes in 2008 farm bill, extended last year, combined with increased imports from Mexico under NAFTA, make it politically difficult to permanently reallocate quota to SSA, even from countries in SSA or Caribbean that have not filled quota allocations for years
Cotton	None close to being filled, including by SSA countries with allocations	US a major exporter and imports very little